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UNCLAS SECTION 01 OF 02 MUSCAT 002012

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E.O. 12958: N/A

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SUBJECT: CODEL THOMAS DISCUSSES POTENTIAL FTA WITH TOP OMANI  
LEADERSHI P

11. SUMMARY: In lengthy meetings with Sultan Qaboos and Oman's Foreign Minister, as well as a brief but productive final meeting with the Omani Commerce Minister, CODEL Thomas took advantage of the opportunity to explore Oman's readiness to jump into full-blown free trade agreement (FTA) negotiations over the next 6-8 months. Chairman Thomas emphasized the need to look carefully at Oman's labor legislation to make sure it meets core international standards, as well as the need for complete transparency regarding the criteria for foreign investment in Oman. Sultan Qaboos pledged that Oman would work closely with the U.S. in addressing these concerns, a message reiterated by the other ministers. Chairman Thomas outlined his support for expediting Oman's FTA timetable, and pledged to work constructively with the Sultanate in the coming months as the process blazes forward. End Summary.

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Full Speed Ahead  
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12. During their 2-day visit to Oman November 8-9, five lawmakers from the House Ways and Means Committee met with top Omani leaders to discuss trade relations and the possibility of negotiating an expedited FTA between Oman and the U.S. Led by Chairman Bill Thomas (R-CA) and including Reps. Mike McNulty (D-NY) , Nancy Johnson (R-CT) , Phil English (R-PA) , and Ron Lewis (R-KY) , the delegation had an afternoon audience with Sultan Qaboos, dinner with Minister Responsible for Foreign Affairs Yusuf bin Alawi, and a brief meeting with Minister of Commerce and Industry Maqbool bin Ali bin Sultan. In all three encounters, Chairman Thomas clearly expressed his desire to move forward on FTA talks within the next 6-8 months, before the expiration of Trade Promotion Authority in July 2005.

13. Thomas buttressed his remarks by saying that Oman has proven to be a staunch ally in the region, with extremely positive bilateral military relations. There is no reason, he asserted, that trade relations between the two countries should not blossom in similar fashion. Moreover, the high quality of the commitments that Oman made in its accession to the WTO in 2000 means that the Sultanate has already taken many strong steps toward liberalizing its trade regime. Looking at potential trading partners around the world, Thomas and his colleagues believe that very few could manage an ambitious timetable for completing FTA negotiations in the next 6-8 months; Oman is one of them, and it is critical to seize the window of opportunity. Sultan Qaboos and the other interlocutors expressed satisfaction with this perspective, and offered any and all assistance in seeing the process through. "It's to our advantage [to conclude an FTA], and we look forward to working with you," declared the Sultan.

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Labor as Key Stumbling Block  
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14. Chairman Thomas explicitly mentioned the caveat that all FTAs require bipartisan support to pass Congress. Labor is one area where Oman could face difficulty in this regard, and CODEL Thomas did not hesitate to raise this issue with Sultan Qaboos and his ministers. In spite of a new labor law passed in 2003, Thomas and his colleagues still need to verify that Oman is adhering to core labor standards as defined by the ILO. Of particular concern are the right to strike, to bargain collectively, to take labor cases to an independent court, and to form unions.

15. The policy of Omanization could also be a sticking point, particularly in fields where Omanis may show unwillingness to work despite having positions set aside for them. Such distortions in the labor market, claimed Thomas, could lead to situations where Omanis exaggerate their bargaining leverage. Members of the CODEL also seemed interested in the Omani programs designed to promote entrepreneurship and self-employment, such as the SANAD Fund, the Youth Fund, and other similar programs run by the Omani government whereby young people can apply for soft loans to start small businesses in their communities.

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Transparency and Investment

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16. Another concern clearly spelled out by Chairman Thomas was the lack of an objective, transparent standard for foreign investment above the 70 percent level. Although Minister Maqbool sought to reassure Thomas that "all American investment is welcome" and that the real concern was a flood of small-scale investments (groceries, barber shops, etc.) from South Asia, Thomas insisted that the criteria for investment must be universal and transparent if an FTA is to win approval in the U.S. Congress. Otherwise, Oman risks the perception of discriminatory treatment of investment. Using the examples of insurance and banking, where Oman has taken strong steps to reassure foreign investors and establish clear rules and regulations, Thomas urged Oman to examine its foreign investment laws to guarantee maximum transparency leading up to FTA talks. In response to a query from Minister Maqbool regarding possibly finding a way to welcome American companies and investment without a full opening to the subcontinent, Chairman Thomas suggested that Oman look carefully at the Bahrain and Morocco agreements, where similar exceptional circumstances were addressed. Not all FTAs are alike, explained Thomas, but the important element is that they do not fall below certain baselines.

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Strong Commitment  
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17. Without exception, CODEL Thomas heard from Oman's leaders that an FTA is desirable as soon as possible, and that the Omani government is willing to address the specific concerns brought forth by the USG. Sultan Qaboos emphasized that Oman would do its part: "I'll make sure [the ministers] feel concern to get it done," he told the CODEL. Minister Maqbool elaborated by stating his desire to discuss "what we're not doing right and what we need to work on." Thomas reciprocated by stating his intentions to move as quickly as possible, provided that Oman maintains strict adherence to the tightest of timelines. Thomas promised to work closely with the Omani government and USTR in the coming weeks and months.

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Power of Example  
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18. One recurring theme was the advantage enjoyed by Oman in that the U.S. already has strong, recent agreements with Bahrain and Morocco. Thomas urged the Omanis to review these agreements to avoid reinventing the wheel. Moreover, accompanying staffers from CODEL Thomas passed along copies of correspondence from the Moroccan government to the USG regarding steps taken by Morocco to address labor concerns; the Embassy will share this correspondence with the Omani government as an example of how the adoption of a proactive stance on labor can significantly improve the chances of finalizing an FTA. Rep. English commented that the Morocco FTA demonstrated the importance of America's trading partners being aware of the political constraints involved in negotiating FTAs, particularly in areas such as labor and the environment.

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Comment  
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19. As the CODEL heard repeatedly, the very top political leadership in Oman stands firmly behind FTA negotiations and recognizes the mutual benefit to be derived from free trade. This visit served to highlight the key areas in an FTA that will draw Congressional scrutiny, and Chairman's Thomas' forthright style laid most of the stickiest points plainly on the table. Once the Omanis return from an extended Eid and National Day holiday, we expect to engage them at every opportunity to review areas where Omani legislation and enforcement currently fall short of FTA baselines, and to devise means of delivering technical assistance and conducting consultations where appropriate.

10. The delegation has cleared this cable.

BALTIMORE